



# County of Los Angeles CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN  
Chief Administrative Officer

March 14, 2003

To: Supervisor Yvonne Brathwaite Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE BRATHWAITE BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

## STATE BUDGET UPDATE

### Mid-Year Budget Reductions

On Thursday, March 13, 2003, the Senate concurred with the Assembly amendments to SBX1 18 and SBX1 19, which contain approximately \$3.5 billion in current year budget reductions that are no longer linked to the VLF trigger bill that the Governor threatened to veto. The vote was 35-1 on each. The bills now proceed to the Governor who has said he is inclined to sign them.

### Assembly Cancels Policy Committee Meetings

We just learned that the Assembly has canceled all policy committee hearings for the week of March 24th to focus on budget issues. According to this morning's Los Angeles Times, Assembly Democrats plan to hold budget hearings around the State to take testimony on proposed budget reductions and raise public awareness of the potential impacts.

### Senate Budget Hearing on the Statewide Fingerprint Imaging System (SFIS)

On Thursday, March 13, 2003, the Senate Budget and Fiscal Review Subcommittee No. 3 discussed the Governor's proposal to spend \$10 million in State General Funds for the maintenance and operation of SFIS. Los Angeles County utilizes SFIS to deter fraud in Social Services programs.

Much of the discussion focused on the State Auditor's evaluation of SFIS. Their report did not reach a conclusion about the cost-effectiveness of SFIS because of insufficient data. However, it did acknowledge that the County's AFIRM system, which was the precursor to SFIS, did show positive results in deterring fraud. However, the report

cautioned against using its evaluation to project the statewide cost-effectiveness of fingerprint imaging.

While the Subcommittee postponed action on this issue, it is clear that Senators Chesbro and Cedillo are concerned about spending \$10 million in an extremely tight budget on a system whose statewide cost-effectiveness has not been demonstrated. Additionally, Senator Cedillo expressed concern that SFIS may be reducing enrollment in the Food Stamp Program by deterring eligible applicants, even though the Auditor's evaluation did not contain data to support this conclusion.

County representatives testified in support, urging the Subcommittee to approve the Governor's recommendation. The Los Angeles County District Attorney's Office, the California District Attorney's Association and the California Welfare Fraud Investigators Association also testified in support.

Senate Subcommittee action is expected after the release of the Governor's May Revision. SFIS will be discussed in a Joint Hearing of the Assembly Budget Subcommittee No. 1 and the Assembly Human Services Committee on Wednesday, March 19, 2002

### **Update on Realignment Hearings**

A series of informational hearings were held this week to discuss the Governor's Realignment Proposal. Representatives from the Department of Finance (DOF), affected State departments, the Legislative Analyst's Office (LAO), and numerous advocacy groups provided testimony.

The California State Association of Counties (CSAC) and the County Welfare Directors Association (CWDA) were among those that testified. Both associations stressed that the following key elements are essential for counties: (1) revenues must keep pace with caseload growth; (2) entitlement and non-entitlement programs should have separate funding streams; (3) the Legislature must provide funding to cover increased costs in realigned programs that could result from future law changes or court actions; (4) counties should have flexibility to manage programs to meet local needs; and (5) there must be safeguards to protect counties if expenditures exceed revenues. CSAC and CWDA stated that counties face significant problems and risks given the complexities surrounding realignment, including lack of an administrative infrastructure to effectively manage programs such as child care. Federal penalties and pending litigation in these areas also pose additional risks.

Many advocacy groups expressed concern about the transfer of programs to counties, stating that if programs are realigned and revenues are insufficient to fund programs, counties could reduce, or even eliminate, services to vulnerable populations. Tyrone

Freeman, representing the Home Care Council, testified in opposition to the 100 percent county share of cost for IHSS. The Council's position is that realignment could negatively impact IHSS recipients and providers.

The DOF reiterated its intentions to establish realignment workgroups, which would be comprised of representatives from the Administration, legislative staff, counties, and advocacy groups. CSAC has informed us that DOF indicated that meetings could begin as early as next week.

### **Pursuit of County Position on Legislation**

**SB 365 (Johnson)** would amend workers' compensation law to require that employment must be the predominant cause of injury, as compared to all other causes combined, in determining eligibility for benefits. Existing law (Section 3600 of the Labor Code) provides that an employer is liable for workers' compensation benefits if, at the time of injury, the employee is performing service growing out of, or incidental to, employment, and the injury is proximately caused by the employment.

CAO Risk Management indicates that SB 365 would reduce the number of claims deemed to be work-related, especially those alleged to be the result of cumulative trauma or stress. The current causation standard is low and results in cases being ruled work-related even though the job is only a minor contributing factor to the injury. The "predominant cause" language in SB 365 would establish that employment must represent more than 50% of the causation in order for the employer to be liable for workers' compensation benefits. For example, where the employee suffers injury due to stresses both on and off the job as well as due to the natural progression of age related health problems, the bill would not impose liability unless the evidence indicates that job-related stress was more than 50% of the overall cause.

SB 365 would also preclude benefits for an injury that is caused by a criminal act committed by the employee for which he or she has been convicted. Current law only excludes benefits for an injury caused by a criminal act that is defined as a felony in the penal code.

CAO Risk Management estimates SB 365 would result in a savings in excess of 5% of the County's workers' compensation benefit costs (more than \$14 million per year), by increasing the burden of proof in order to qualify for workers' compensation benefits. **Therefore, our Sacramento advocates will support SB 365.** Support is consistent with existing Board policy that on-the-job exposure should be demonstrated to qualify for workers' compensation or service-connected disability retirement benefits.

SB 365 was introduced on February 19, 2003, and was referred to the Senate Committee on Labor and Industrial Relations.

**SJR 6 (Soto)** would call upon the Congress of the United States to provide additional funding to the states for first responder training as part of homeland security funding.

The Los Angeles County Fire Department recommends that the County support SJR 6 because of the need to improve their preparedness to respond to terrorist acts. Support of SJR 6 is consistent with existing County policy to support financial assistance to local governments for terrorism preparedness. **Therefore, our Sacramento advocates will support SJR 6.** SJR 6 was amended on March 12, 2003 and is set to be heard on March 25, 2004, in the Senate Committee on Governmental Organization.

The Attorney General and various cities support SJR 6. There is no opposition to the measure.

#### **Status of County-Interest Bills**

**County-supported SBX1 5 (Romero) and SB 108 (Romero)** are scheduled for a hearing in the Senate Health and Human Services Committee on March 19, 2003. SBX1 5 and SB 108, which are identical bills, would establish a five-cent fee for per alcoholic beverage distributed by a wholesaler to a retailer for consumption in California to fund emergency medical services providers.

We will continue to keep you advised.

DEJ:GK  
MAL:JF:JR:ib

c:     Executive Officer, Board of Supervisors  
       County Counsel  
       Local 660  
       All Department Heads  
       Legislative Strategist  
       Coalition of County Unions  
       California Contract Cities Association  
       Independent Cities Association  
       League of California Cities  
       City Managers Associations  
       Buddy Program Participants